

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2019

Docket No. ACR2019

CHAIRMAN'S INFORMATION REQUEST NO. 2
AND NOTICE OF FILING UNDER SEAL

(Issued January 10, 2020)

To clarify the basis of the Postal Service's service performance reporting in its FY 2019 Annual Compliance Report (ACR), filed December 27, 2019,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 17, 2020.

Competitive International Products

1. Please see Attachment, filed under seal.

Customer Access

2. Library Reference USPS-FY19-33 states that the total number of suspended post offices at the end of FY 2019 is 401.² This number differs from the information provided in the FY 2019 ACR, which states that the total number of suspended post offices at the end of FY 2019 is 366.³

¹ United States Postal Service FY 2019 Annual Compliance Report, December 27, 2019 (FY 2019 ACR).

² Library Reference USPS-FY19-33, December 27, 2019, Excel file "PostOfficesFY2019.xlsx," tab "Suspension Summary."

³ FY 2019 ACR at 61. Of the 662 post offices suspended at the end of FY 2016, there are 228 suspended post offices remaining. *Id.* From FY 2017 through FY 2019, the Postal Service suspended another 138 post offices. *Id.* The sum of these two numbers equals 366 post offices in total suspended at the end of FY 2019.

- a. Please provide the total number of post offices suspended at the end of FY 2019. This number should include post offices suspended from FY 2017 through FY 2019.
- b. Please explain why the number of post offices suspended at the end of FY 2019 differs between the FY 2019 ACR and Library Reference USPS-FY19-33.

Inbound Letter Post

3. Please identify all factors that caused contribution from the Inbound Letter Post product to decrease from approximately negative \$82 million in Fiscal Year (FY) 2018 to negative \$164 million in FY 2019.⁴
4. Please explain the decrease in cost coverage for Inbound Letter Post from 83.8 percent in FY 2018 to approximately 78.5 percent in FY 2019.⁵
5. Please refer to Library Reference USPS-FY19-NP30, December 27, 2019, files “NONPUBLIC UPU QS Link FINAL2018.pdf” and “NONPUBLIC UPU QS Link to OCT2019.pdf,” and Docket No. ACR2018, Library Reference USPS-FY18-NP30, December 28, 2018, files “UPU QS Link Perf 2017_redacted.pdf” and “UPU QS Link Perf 2018 to Oct_Redacted.pdf.” Please explain the decline in Inbound Letter Post service performance from FY 2018 to FY 2019.⁶

⁴ FY 2019 ACR at 7; Docket No. ACR2018, Annual Compliance Determination Report, Fiscal Year 2018, April 12, 2019, at 81-82 (FY 2018 ACD).

⁵ FY 2019 ACR at 7; FY 2018 ACD at 81.

⁶ Library Reference USPS-FY19-29, December 27, 2019, file “FY19-29 Service Performance Report.pdf,” at 4; Docket No ACR2018, Library Reference USPS-FY18-29, December 28, 2018, file “FY18-29 Service Performance Report.pdf,” at 4 (FY 2018 Service Performance Report). See Library Reference USPS-FY19-NP30, December 27, 2019, files “NONPUBLIC UPU QS Link FINAL2018.pdf,” and “NONPUBLIC UPU QS Link to OCT2019.pdf,” Docket No. ACR2018, Library Reference USPS-FY18-NP30, December 28, 2018, files “UPU QS Link Perf 2017_redacted.pdf” and “UPU QS Link Perf 2018 to Oct_Redacted.pdf.”

6. In Docket No. ACR2018, the Postal Service identified projects and initiatives it was taking at International Service Centers to address the declining service performance of Inbound Letter Post, including the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project.⁷ Please explain why these projects and initiatives did not improve service performance for Inbound Letter Post in FY 2019 and whether the Postal Service plans to continue them.
7. Please see Attachment, filed under seal.

International Registered Mail

8. In the FY 2018 ACR, the Postal Service stated that the increase in the payment for Inbound Registered Mail services component of the International Ancillary Services product (Inbound Registered Mail), from 1.1 Special Drawing Rights (SDR) in Calendar Year (CY) 2018 to 1.2 SDR in CY 2019, should help improve cost coverage.⁸ In the FY 2019 ACR, the Postal Service notes that the payment per item for Inbound Registered Mail is scheduled to increase to 1.3 SDR in CY 2020 and to 1.4 SDR in CY 2021, “which should help to improve cost coverage.” FY 2019 ACR at 35. Please explain why the Postal Service anticipates that the increase in the payment in CY 2020 should help improve cost coverage given that the CY 2019 increase did not improve the cost coverage for Inbound Registered Mail in FY 2019.
9. In the FY 2019 ACR, the Postal Service states that it “participates in the voluntary supplementary remuneration for inbound registered items.” FY 2019 ACR at 35. The Postal Services further claims that this participation “furnishes additional revenue for inbound registered items.” *Id.*

⁷ FY 2018 Service Performance Report at 8; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-20 of Chairman’s Information Request No. 3, January 28, 2019, questions 16.a and 16.b.

⁸ Docket No. ACR2018, United States Postal Service Fiscal Year 2018 Annual Compliance Report, December 28, 2018, at 43 (FY 2018 ACR).

- a. Please confirm that the amount of voluntary supplementary remuneration referred to above is included in the revenue reported for Inbound Registered Mail.
 - i. If not confirmed, please explain where this revenue is reported.
 - ii. If confirmed, please specify the amount of voluntary supplementary remuneration that the Postal Service received in FY 2019 for the Inbound Registered Mail and the number of items for which the Postal Service received the voluntary supplementary remuneration in FY 2019.
 - b. Please provide delivery and scanning performance results that determined the amount of supplementary remuneration referenced on page 35 of the FY 2019 ACR.
- 10. The Postal Service asserts that “in FY 2019, more barcode information was used to assign costs to products and services, which resulted in an increase in costs distributed to Inbound Registered Mail.” *Id.*
 - a. Please explain how the Postal Service used barcode information to assign costs and why this information increased costs for Inbound Registered Mail.
 - b. Please confirm that the use of enhanced barcode information was the sole reason for the increase in the cost of Inbound Registered Mail between FY 2018 and FY 2019. If not confirmed, please identify all other factors contributing to the cost increase and explain how these additional factors increased Inbound Registered Mail costs.
- 11. Please refer to Library Reference USPS-FY19-NP2, December, 27, 2019, Excel file “Inputs.xls” (Inputs file), tab “Special Services,” cells F21 and F37. Please confirm that the volume of Inbound Registered Mail found in cell F21 includes the volume of inbound registered mailpieces under the Inbound Market Dominant

Registered Service Agreement 1 (Mail Classification Schedule section 1602.5) (Inbound PRIME Registered), found in cell F37. If confirmed, please explain.

12. Please identify the volume variable cost components for Inbound PRIME Registered and provide volume variable costs for Inbound PRIME Registered mail. If the Postal Service is not able to provide separate volume variable costs for Inbound PRIME Registered Mail from volume variable costs for Inbound Registered Mail, please explain.
13. Please refer to Library Reference USPS-FY19-NP2, December 27, 2019, Excel file "Reports (Unified).xls," tab "ICRA Database," cells AS2502 and BC2502. Please refer also to the Inputs file, tab "Special Services," cells E7 and E16. Please reconcile the settlement costs of Market Dominant Outbound International Registered Mail and Competitive Outbound International Registered Mail found in these cells.

By the Chairman.

Robert G. Taub